


May 11, 2021

FOR YOUR INFORMATION

To: Mayor and Members of City Council

From: Paula Boggs Muething, City Manager 

Subject: Updated Local Fiscal Recovery Fund Information

Yesterday, the Administration received from the United States Department of the Treasury the interim guidance on eligible use of funds that will be received by the City under the Local Fiscal Recovery Fund, which is part of the federal stimulus known as the American Rescue Plan (ARP). Below and attached are updated recommended uses of those funds and a summary of the guidance.

Updated ARP Receipts

Based on updated information, the amount the City of Cincinnati is to receive in ARP dollars totals \$279,590,193, a reduction of \$12 million from the estimated receipts on the National League of Cities' (NLC) website. The attached plan by the Administration has been updated to reduce the spending plan to balance to year one spending.

For year one, most capital projects have been eliminated and will be shifted to the FY 2022 Capital Budget. As a result, the release of the City Manager's Recommended FY 2022-2023 Biennial Budget has been delayed to May 20, 2021 to allow the Budget Office enough time to make the necessary changes.

Guidance on Use of ARP Funds

The Administration and the Law Department have begun analysis of the Interim Final Rule issued by the United States Department of the Treasury on May 10, 2021. The guidance sets forth the initial eligibility and reporting requirements for the City's grant of Local Fiscal Recovery Funds under the American Rescue Plan (ARP). The guidance is lengthy and will require time to arrive at a final analysis. A summary of key points and eligibility requirements is provided below to provide context for the May 11 Council ARP funding discussion.

General Notes:

- The Treasury guidance requires project-based contextual evaluation of eligibility. Specifics concerning eligibility will vary with the impacts of the pandemic on the person or entity receiving the funding, the types of services or uses being funded, and the category of eligible funds. Therefore, the eligibility analysis will be very fact specific and will require detailed information about the proposed expenditure and may require research and documenting justification of such expenditure.
- ARP expenditures and programs authorized by Council will require that the Administration contract with the appropriate entity pursuant to a scope that has been tailored to the guidance, with tracking mechanisms developed in accordance with reporting requirements.
- ARP funding may be expended for eligible costs incurred between March 3, 2021 and December 31, 2024. While funding eligibility expires on December 31, 2024, any project that utilized ARP funds during the period of eligibility must be completed prior to December 31, 2026.

General Categories of Eligible Expenditures

- **For public health expenditures** to fund COVID-19 mitigation or prevention efforts, medical expenses, behavioral healthcare, and certain payroll expenses for public health and safety staff.
 - Supports grants to provide resources to meet public health needs and through services that address disparities in public health that have been made worse by the pandemic.
 - May include capital expenditures to meet pandemic response operational needs.
 - Services to address behavioral healthcare needs exacerbated by the pandemic, including mental health, substance abuse, hotlines, crisis intervention, and services or outreach to promote access to health and social services.
 - City public health and public safety payroll expenses for staff time related to pandemic response activities or the full payroll of such staff if staff are primarily dedicated to COVID-19 response.
- **For expenditures to address the negative economic impacts caused by the public health emergency**, including economic harms to workers, households, small businesses, impacted industries, and the public sector. Eligible uses that respond to the negative economic impacts of the public health emergency must be designed to address an actual identified economic harm resulting from or exacerbated by the public health emergency.
 - Standard: Assistance or aid to individuals or businesses that did not experience a negative economic impact from the public health emergency would not be an eligible use under this category. In addition, the eligible

use must “respond to” the identified negative economic impact. Responses must be related and reasonably proportional to the extent and type of harm experienced; uses that bear no relation or are grossly disproportionate to the type or extent of harm experienced would not be eligible uses. (Guidance at pg. 31).

- Small Businesses - Assistance to small businesses, including loans, grants, in-kind assistance, technical assistance or other services, that responds to the negative economic impacts of the COVID-19 public health emergency;
- Nonprofits - Assistance to nonprofit organizations, including loans, grants, in-kind assistance, technical assistance or other services, that responds to the negative economic impacts of the COVID-19 public health emergency;
- Local Governments - Payroll expenses and other associated costs for rehiring public sector workers up to levels existing prior to the pandemic;
- Households - Assistance programs, including cash assistance programs, that respond to the COVID-19 public health emergency; and
- Aid to Impacted Industries - Assistance to tourism, travel, hospitality, and other impacted industries that responds to the negative economic impacts of the COVID-19 public health emergency.

- **For expenditures serving hardest-hit communities and families**

- General - Expenditures addressing disparities in health and economic impacts by providing programs or services to disproportionately impacted communities and families. Assumption of disproportionate impact generally permitted in qualifying census tracts.
- Health Disparities and the Social Determinants of Health - Funding for community health workers, public benefits navigators, remediation of lead hazards, community violence intervention programs, and new or expanded childcare or child welfare programs.
- Educational Disparities - Funding for the following activities to address the impacts of school closures and the transition to remote education:
 - Evidence-based educational services and practices to address the academic needs of students, including tutoring, summer, after school, and other extended learning and enrichment programs.
 - New, expanded, or enhanced early learning services, including pre-kindergarten, Head Start, or partnerships between pre-kindergarten programs and local education authorities, or administration of those services.
 - Evidence-based practices to address the social, emotional, and mental health needs of students.
- Housing Impacts - Funding may be utilized for affordable housing development; services to address homelessness; and other housing

programs to address housing insecurity, increase economic opportunity, and reduce concentrated areas of low economic opportunity.

- **For replacement of lost public sector revenue** to fund provision of government services. Amount is limited to the extent of the reduction in revenue experienced due to the pandemic. Calculation of lost revenue to be determined based on actual received revenues as of the end of 2020, 2021, 2022, and 2023 when compared with a projected amount using the last full fiscal year prior to pandemic and using a standardized growth rate.
 - Replaces lost revenue representing what would have been expected to occur in absence of pandemic.
 - Wide latitude given to localities on how to expend replaced revenue, including general infrastructure projects.
 - Cannot be used to replenish rainy day funds or reserves.
- **For providing premium pay for essential workers** by offering additional financial support to those who have and will bear or have borne the greatest health risks because of their service in critical infrastructure sectors during the pandemic.
- **For investment in water, sewer, and broadband infrastructure** by making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

Specifically Prohibited Uses

- General infrastructure unless the project responded to a specific pandemic public health need (e.g., investments in facilities for the delivery of vaccines) or a specific negative economic impact like those described above (e.g., affordable housing in a Qualified Census Tract). (Guidance at pg 42.) General infrastructure spending also permitted for replaced lost revenue (Guidance at pg. 60).
- Pension contributions
- Rainy day funds

Proposed Uses of ARP Funds

FY 2021 Uses: Based on the updated date of March 3, 2021 as the start date for billing expenditures related to COVID-19, there is concern about the structure of the General Fund Final Adjustment Ordinance (FAO). Thus, the Administration requests this item be held to further evaluate the uses of the ARP dollars for FY 2021.

Restricted Funds Revenue Replacement: The Treasury guidance for revenue replacement, for consistency, relies on the Census Bureau's definition of 'general

revenue’ which is used in the Annual Survey of State and Local Government Finances. Per Chapter 4.3 of the U.S. Bureau of the Census’ *Government Finance and Employment Classification Manual*: “General revenue comprises all revenue except that classified as liquor store, utility, or insurance trust revenue. The basis for this distinction is the nature of the revenue source involved, not the fund or administrative unit established to account for and control a particular activity. There are four types of revenue within general revenue sector: taxes, intergovernmental revenue, current charges, and miscellaneous general revenue. Based on this definition, the revenue loss calculation used for the restricted funds lost revenue meets the guidance for the use of ARP funds.

FY 2022 General Fund Revenue Replacement: Using the 4.1% annual revenue growth calculation as provided in the guidance with a base year of FY 2019 General Fund revenue (the last full fiscal year prior to the pandemic), the estimated FY 2022 General Fund revenue estimate would have been \$467 million. The current FY 2022 General Fund revenue estimate is \$394 million, a difference of \$73 million. Therefore, the \$67.5 million projected revenue loss for FY 2022 meets the guidance for the use ARP funds.

Support Programs: Ordinances in the amount of \$17,500,000 were approved unanimously by City Council on May 5, 2021 to use ARP funds for support programs. These programs all meet the guidance for use of ARP funds for expenditures to address the negative economic impacts caused by the public health emergency.

Motions and Ordinances: The Law Department and Administration are reviewing the current proposed ordinances and motions to determine if the proposed program or project meets the guidance for the use of ARP funds. Many of the programs will require additional information to determine this. Under many circumstances, a program or project can be structured to meet the guidance, but the proposal will need to be better defined so it fits one of the qualifications listed above.

Conclusion

The Administration continues to evaluate the guidance with the overall goal to utilize these dollars to provide fiscal stability for the City for as long as possible. Additionally, these funds will be utilized to provide rapid short-term relief and long-term benefits to our citizens.

Attachment